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IN THE

Supreme Court of the United States

OCTOBER TERM, 1957

No. 677

SAM GOODY,

Petitioner,

against

SHAPIRO, BERNSTEIN & CO., INC., GERSHWIN PUBLISHING CORPORATION, EDWARD B. MARKS MUSIC CORPORATION, MILLER MUSIC CORPORATION, LEWIS MUSIC PUBLISHING COMPANY, INC. and MUTUAL MUSIC SOCIETY, INC.,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

The petition of Sam Goody prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit, entered in the case entitled "Shapiro, Bernstein & Co., et al., plaintiffs-appellants v. Sam Goody & Portem Distributing Co., defendants-appellees" on September 28, 1957.

Citations to Opinions Below

The opinion of the United States Court of Appeals for the Second Circuit, printed in Appendix C hereto, *infra*, pages 20-34, is reported in 248 F. 2d 260 (1957).

The opinion of the United States District Court for the Southern District of New York, printed in Appendix C hereto, *infra*, pages 35-58, is reported in 139 F. Supp. 176 (1956).

Jurisdiction

The judgment of the United States Court of Appeals for the Second Circuit was made and entered on September 28, 1957 (Appendix A hereto, *infra*, p. 14).

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Question Presented

Whether under the compulsory license provisions, so-called, of the Copyright Act, a retailer of phonograph records, not himself the manufacturer, is liable for royalties or damages to the owner of the copyright of the recorded musical work when the manufacturer, having no license by agreement, neither files notice of intended use nor pays statutory royalties to the copyright owner.[1]

Statute Involved

The statutory provisions involved are Sections 1(e), 101(b) and 101(e) of the Copyright Act of 1909 [17 U.S.C., §§1(e), 101(b), 101(e); 35 Stat. 1075 *et seq.*]. They are printed in Appendix B hereto, *infra*, pages 15-19.

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[1] A subsidiary question, which petitioner intends to argue if certiorari be granted, is whether a release by the copyright owner to the manufacturer, purporting to reserve rights against all other persons, frees the records previously sold from further contribution to copyright.

Statement of the Case

The respondents, plaintiffs below, are owners of copyrights of nine musical compositions. All have authorized the recording on phonograph records of the selections covered by the copyrights.

One Joseph Krug, originally a defendant, manufactured two records on which were reproduced performances of the copyrighted works. He held no license by agreement with the copyright owners. He neither gave the notice of intended use referred to in section 101(e) of the statute, nor did he pay statutory royalties [section 1(e)] to the proprietors of the copyrights. Krug sold the records made by him to distributors and retailers, who in turn sold them to the public.

The petitioner Goody, a defendant below, is a retailer of phonograph records. He bought from Krug 150 sets of the records in question (R. 113),[2] having been told by Krug that the latter had authority to make the records (R. 47). Goody, who maintains a large inventory of records of all manufacturers, does not investigate their compliance with the Copyright Act (R. 113-114). He made no specific inquiry of Krug with reference to the statute, and did not know whether in fact Krug had complied with its provisions relating to mechanical reproduction (R. 113).

The respondents commenced an action under the Copyright Act (Act of March 4, 1909, c. 320, 35 Stat. 1075 *et seq.*, 17 U.S.C.) in the District Court against Krug, Goody and other distributors of records, asserting infringement of copyright and asking for an injunction, destruction of the mechanical parts, damages as for infringement of copyright under the general remedial provisions of the act and other relief. Krug defaulted in answering. The court

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[2] Record references are to the Plaintiffs-Appellants' Appendix below. No other appendix was filed.

granted an injunction against him and allowed to the plaintiffs a royalty of two cents per record and damages of treble that amount, referring the case to a special master for computation of the amounts involved,[3] but it refused to order destruction of the parts used in making records, on the ground that Krug might become entitled to use them, and instead ordered them to be impounded by the master.

Before the computation could be made as directed, the respondents settled their dispute with Krug (R. 130-134). They accepted $2,000 (which they maintain was on account of their expenses only), dismissed their causes of action against him with prejudice and delivered a general release from claims arising from the subject matter of the action, in which release they reserved their rights against all other defendants. Krug authorized the master to deliver up the mechanical parts to the plaintiffs' attorneys. The settlement was then confirmed by the court (R. 128-130).

The petitioner Goody had no notice of any of the proceedings before the master and in relation to the settlement with Krug, and he took no part therein (R. 121).

Each plaintiff copyright owner then moved for summary judgment against the petitioner and another defendant, urging that it was entitled to statutory damages under Section 101(b) of the Act in the sum of $250 for each composition recorded on the records sold, an injunction, and counsel fees. These defendants made cross-motions for summary judgment dismissing the complaint.

The defendants' motions were granted by the District Court on the ground that the scheme of the Copyright Act did not provide for the remedy sought, and that only the Congress may determine the extent of protection to be given to the copyright owner.

The plaintiffs appealed from the judgment dismissing their complaints. The Court of Appeals, although agreeing

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[3] 125 F. Supp. 348 (D.C.N.Y. 1954), *sub. nom. Miller* v. *Goody*.

with the District Court that the extent of protection and balancing of interests is for the Congress, reversed and remanded the cause. It held that section 101(e) of the Copyright Act provided a remedy against a seller of a record in the circumstances before it, but that the recovery was limited to two cents per record. It considered that the money paid by Krug and fairly allocable to costs of the action should be set off against the liability, if any, of the other defendants for costs, and that any payment by Krug fairly allocable to counsel fees should reduce the liability, if any, of the remaining defendants therefor if the District Court should in its discretion award counsel fees.

Reasons for Granting the Writ

1. It is, as the Court of Appeals remarked, "a curious fact that although the Copyright Law has remained without relevant change since 1909 this case should present a question both basic and novel."[4]

The decisive construction of the statute is important to an already large and still growing industry throughout the country. When the present statute was enacted phonograph records were relatively unimportant, player-piano rolls having been the principal means of mechanical reproduction. These are now a negligible part of the market, and even sheet music has lost most of its significance. The development of microgroove records and improvement in techniques of recording and reproducing sound, together with the perfection of tape recordings, have made these mechanical parts into the most important devices for bringing music to the public, apart from actual or "live" performances.[5]

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[4] Appendix C, *infra*, p. 22.

[5] See Henn, The Compulsory License Provisions of the United States Copyright Law (General Revision of the Copyright Law, Study No. 1), Copyright Office, The Library of Congress (1957), p. 55.

Since 1949 the number of record manufacturers has multiplied more than thirty times, so that at the time of the proceedings in the District Court there were more than 365 of them (R. 112). As some drop out others enter the field. No extraordinary skill is required for the manufacture of modern records, and the size or prestige of the issuing company is no index of the quality of the recording or of the public demand for it (R. 112).

The petitioner's sales early in 1956 were at a rate exceeding 1,500,000 records and $4,000,000 in gross amount a year (R. 112). The petitioner is, of course, but a single retail dealer in phonograph records, tapes and other equipment for the reproduction of sound. There are many others, and there are also many wholesale distributors of such articles.

The Congress did not consider the compulsory licensing provisions under the Copyright Act between 1909 and 1925. Since then over twenty bills on the subject were introduced, but none has been enacted.[6] The music industry, including composers, publishers and manufacturers and sellers of devices for recording and reproduction of sound, is now operating under a statute which was adopted when the economic situation was wholly unlike that of today, and which is hardly clear.

It is not improbable that other courts will view the law as differently as did the courts below in this case. Copyright proprietors have already proceeded against retailers of records on the basis of the decision of the Court of Appeals, apparently without also seeking relief under the statute against the manufacturers who gave no notice of intended use. This deliberately chosen course of action by copyright owners has an element of unfairness, and is adaptable to use as a means of driving a selected dealer

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[6] See Henn, *op. cit. supra*, note 5, at pp. 24-44.

out of business.[7] A dealer's economic success or even his economic life may depend upon the location of his place of business, since the Copyright Act may receive varying interpretations. The substantial segment of the business community which is directly concerned with music, and which has thus far conducted itself on the understanding that the law was as the District Court declared it to be, ought to have a definitive guide for the future.

There is also involved in this case the interest of the public in the ready availability of artistic productions, for the promotion of which the protection of copyright is granted to the composer.[8] Interpretations by performing artists differ, and records permit the purchaser to choose. Whether a wide choice will exist hinges upon the meaning of the Copyright Act, for if the court below correctly construed it, dealers will be reluctant to purchase records for resale to the same extent as they have been doing; many manufacturers may be expected to discontinue business, and the manufacture of records may be left to a handful of companies whose compliance may be the subject of ready investigation or willing gamble by the dealer. Not only would the choice of the consumer be restricted, but he may be confronted with monopoly or something very like it, a result which the Congress wished especially to prevent when it adopted the device of compulsory license.

2. The sections of the Copyright Act under which the respondents claim are ambiguous. The phraseology used in the compulsory licensing provisions of section 1(e) differs from that used in the implementing provisions of section 101(e). There are inconsistencies in substance as

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[7] The amount of the royalty itself may be significant when applied to a large number of long-playing records, but the costs and counsel fees present an especially serious potential liability.

[8] The Speaker of The House of Representatives believed the bill which was enacted would affect every household in the country. See 43 Cong. Rec. 3765 (1909).

well as terminology, touching the scope of the limited rights afforded to the proprietor of the copyright.[9] They testify to the emphasis placed by the Congress upon section 1(e) and the manufacturer, and to the comparative neglect of care in the drafting of section 101(e).

The compulsory license to the manufacturer and his liabilities as provided by section 1(e) occupied more time of the House Committee on Patents than any other provision of the bill.[10] But the intent with respect to the scope of section 101(e) is obscure. The House Committee on Patents furnished almost no explanation.[11] The bill was reported out of committee on February 22, 1909. The House passed it on March 3, after discussion confined almost entirely to the license, the royalty to be paid and the liability of the manufacturer for non-payment.[12] The bill passed the Senate that day in an evening session, after even less debate than was had in the House,[13] and became law on March 4, 1909, effective July 1, 1909.

Both the District Court and the Court of Appeals recognized the ambiguities in the statute. Section 1(e) clearly refers to the manufacturer of parts of instruments as the recipient of the Congressional license. Section 101(e), however, relating (among other things) to notice of intended use to be given by the manufacturer, employs the words "unauthorized manufacture, use or sale." Because of their presence the Court of Appeals treated section 101(e) as embracing a situation entirely different from that contemplated by Section 1(e) and as providing a remedy against a non-manufacturing seller. Having gone

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[9] See Henn, *op. cit. supra*, note 5, at pp. 18-20.

[10] H.R. Report No. 2222 on H.R. 28192, 60th Cong. 2d Sess. (1909), p. 4.

[11] H.R. Report No. 2222 on H.R. 28192, 60th Cong. 2d Sess. (1909), p. 16.

[12] 43 Cong. Rec. 3765-3767, 3768-3769 (1909).

[13] 43 Cong. Rec. 3746-3747 (1909).

so far, it found further ambiguity or conflict in the relation of the general remedial provisions of section 101(b) to those of section 101(e), and again in the impact of specific remedial provisions of section 116 on section 101(e) as construed. It saw yet another problem in the amount of permissible recovery under section 101(e), resolving this by resort to that part of section 1(e) which mentions the royalty of two cents per part, excluding any discretionary right to increase the award by an amount equal to treble the royalty.

The difficulties experienced by the courts below and the difference in their views of a concededly loosely drawn statute demonstrates the need for an authoritative interpretation of the law which will be controlling in all circuits.

3. The construction of the Copyright Act by the Court of Appeals is believed to be erroneous.

(a) The immediate stimulus for the enactment of sections 1(e) and 101(e) of the Copyright Act as they exist was the decision of this Court in *White-Smith Music Publishing Co.* v. *Apollo Co.*, 209 U. S. 1, 28 Sup. Ct. 319 (1908), holding that the manufacture and sale of a player-piano roll of a copyrighted musical composition was not copying, and that consequently no infringement of copyright was thereby committed. This Court believed that a copy involves a written or printed record of a piece of music in an intelligible or readable system of notation, not a part of a device for mechanical reproduction such as a music roll (and inferentially a record). The protection of copyright (as this Court has had occasion to repeat) extends fundamentally to the right of multiplying copies.[14]

The Congress sought to make some provision in the law for devices for mechanical reproduction. It could have

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[14] See, e.g., *Mazer* v. *Stein*, 347 U. S. 201, 218; 74 Sup. Ct. 460, 471 (1954).

changed the rationale of *White-Smith* by definition of a copy or by allowing copyright in the parts of mechanical devices as such. The House Committee on Patents was at first inclined to grant such broad protection, but feared the establishment of a vast monopoly. It was considering the proposed legislation in an atmosphere distinctly unfavorable to the desires of copyright proprietors for complete control of mechanical rights.[15] The Congress therefore changed only the result of the decision of this Court, but not its basis, by granting a limited recognition to rights of reproduction through mechanical means.[16] It balanced the claims of copyright owners for full protection and the public interest in availability of recorded music by a compromise, i.e., the compulsory license provision of section 1(e). It then added section 101(e), dealing with additional remedies of the copyright owner.

In its endeavor to reconcile sections 1(e) and 101(e), the court below has in effect made a phonograph record into a copy of a composition where notice of intended use is not given by the only person who may give it under the statute either before or during suit, albeit with different monetary consequences than those which flow from violation of copyright under the remainder of the law. This it did although the Congress deliberately chose not to change the rationale of *White-Smith*, and in so doing it expanded the scope of the law so as to give the copyright owner something approaching the exclusive right to make, use and vend.

(b) The words "unauthorized manufacture, use or sale" in section 101(e) should not overturn the statutory scheme

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[15] See H.R. Report No. 2222 on H.R. 28192, 60th Cong. 2d Sess. (1909), pp. 5-7, 9.

[16] The Copyright Office will not accept a phonograph record carrying a transcription of a performance for deposit in connection with statutory copyright of the work so recorded. See Letter of the Copyright Office to Fred Waring, partially set forth in *Waring v. WDAS Broadcasting Station, Inc.*, 327 Pa. 433, 438, n. 2; 194 Atl. 631, 633 n. 2 (1937).

whereby only a limited control over mechanical reproduction is given to the copyright owner.[17] If he grants a license by agreement, that, and not the statute, is the measure of his rights and remedies.[18] The authority to record mechanically is granted by the Congress once the copyright owner has used or allowed the use of similar means. Though the license is termed "compulsory", the law compels the copyright owner to do nothing; in itself it embodies the grant of the license. True, the manufacturer may be sued for royalties and other sums, but none of the remedial provisions of sections 1(e) and 101(e) vitiates the license which the statute confers. Section 1(e) gives the manufacturer authority. He needs no other.

(c) The authority or license of section 1(e) is not expressly conditioned upon filing of notice of intended use. That notice is referred to only in section 101(e). It obviously is to be given by the manufacturer of a record, not a retailer. The license nevertheless exists. Not even failure to pay royalties provided by the very section containing the grant destroys the right, although the copyright owner might ordinarily terminate a consensual license on this ground. It is anomolous to hold a retailer as an infringer because the manufacturer, having a statutory license, fails to file notice of intended use and thereby becomes liable, under section 101(e), to the copyright owner for sums in addition to the amount of the royalty or the royalty trebled.

The respondents conceded that if Krug had given notice of intended use but had failed to pay royalties their only remedy would have been by suit against him for such royalties. The result below therefore turns not upon sale

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[17] Since the bill which became law was considered by the Committee on Patents, it is perhaps not unnatural that words of patent law should have been used inadvertently, particularly in the light of the concentration on section 1(e).

[18] *Edward B. Marks Music Corp.* v. *Foullon*, 171 F. 2d 902 (2d Cir. 1949).

of an infringing copy, but upon the manufacturer's failure to give notice of intended use under Congressional license. For this reason every seller of his records may be held as an infringer of copyright, notwithstanding that the statutory license was not cancelled.[19]

The decisive act or omission is that of a person over whom the seller has no control. Nor is there any point in time at which the seller's liability is fixed. Literal compliance by the manufacturer with statutory directions governing notice is not necessary. He may give notice of intended use and pay statutory royalties at any time, freeing records as to which royalties are paid from further contribution or infirmity.[20] The seller's amenability to suit and responsibility are, under the ruling below, dependent upon the statutory status of the records involved, and this he cannot govern. Nor is there any provision for notice to him by the copyright owner. Thus, the copyright proprietor may have an award against the seller and later recover from the manufacturer who belatedly files notice of use, although this last recovery, if it embrace royalties on records theretofore made, would free them. If the order of the actions were reversed, the seller would conceivably not be liable at all. Such a capricious result may be extreme, but, the petitioner submits, is entirely possible.

(d) The Copyright Act has been used, with the aid of the courts, for purposes not embraced within its scope. The respondents do not conceal their intention by this action to reach record pirates, so-called, through dealers. Since records themselves are not subject of copyright, and

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[19] Section 101(e) recognizes the continued existence of the license by provision for a *temporary* injunction against the manufacturer's operations under it until the full amount of the award based on his failure to give the notice is paid. (Emphasis supplied.)

[20] *G. Ricordi & Co.* v. *Columbia Graphophone Co.*, 263 Fed. 354 (2d Cir. 1920).

rights of artists whose performances are pirated are also in a different field, the use of the law of statutory copyright in order to attack indirectly manufacturers who may not easily be brought to account is a distortion of the basis of the law. The development of methods of reproducing sound has brought new problems, but these should not be resolved in the fashion which was here employed. The relief is with the legislature.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be be granted.

Abraham M. Lowenthal,
Attorney for Petitioner.

Leon G. Telsey,
Counsel for Petitioner.

Dated: December 18, 1957

Appendix A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse in the City of New York, on the 28th day of September, one thousand nine hundred and fifty-seven.

Present: HON. CARROLL C. HINCKS
HON. J. EDWARD LUMBARD
HON. STERRY R. WATERMAN
Circuit Judges.

SHAPIRO, BERNSTEIN & Co., *et al.*, Plaintiffs-Appellants, vs. SAM GOODY & PORTEM DISTRIBUTING Co., Defendants-Appellees.	CIV. 93-202

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the judgment of said District Court be and it hereby is reversed and action remanded in accordance with the opinion of this Court; with costs to the appellants.

A. DANIEL FUSARO, Clerk.

By RALPH C. CURCIO,
Deputy Clerk.

Appendix B

Sections 1(e), 101(b) and 101(e) of the Copyright Act (Act of March 4, 1909, c. 320; 35 Stat. 1075; 17 U.S.C.).

§1. *Exclusive rights as to copyrighted works.*

Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

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(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided,* That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the

number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

The reproduction or rendition of a musical composition by or upon coin operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs.

§ *101 Infringement*

If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

* * * * * *

Appendix B

(b) *Damages and Profits; Amount; Other Remedies.*—

To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated, but in case of a newspaper reproduction of a copyrighted photograph, such damages shall not exceed the sum of $200 nor be less than the sum of $50, and in the case of the infringement of an undramatized or nondramatic work by means of motion pictures, where the infringer shall show that he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen, such damages shall not exceed the sum of $100; and in the case of infringement of a copyrighted dramatic or dramatico-musical work by a maker of motion pictures and his agencies for distribution thereof to exhibitors, where such infringer shows that he was not aware that he was infringing a copyrighted work, and that such infringements could not reasonably have been foreseen, the entire sum of such damages recoverable by the copyright proprietor from such infringing maker and his agencies for the distribution to exhibitors of such infringing motion picture shall not exceed the sum of $5,000 nor be less than $250, and such damages shall in no other case exceed the sum of $5,000 nor be less than the sum of $250, and shall not be regarded as a penalty. But the foregoing exceptions shall not deprive the copyright proprietor of any other remedy given him under this law, nor shall the limitation as to the amount of recovery apply to infringements occurring after the

actual notice to a defendant, either by service of process in a suit or other written notice served upon him.

First. In the case of a painting, statute, or sculpture, $10 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

Second. In the case of any work enumerated in section 5 of this title, except a painting, statue, or sculpture, $1 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

Third. In the case of a lecture, sermon, or address, $50 for every infringing delivery;

Fourth. In the case of a dramatic or dramatico-musical or a choral or orchestral composition, $100 for the first and $50 for every subsequent infringing performance; in the case of other musical compositions $10 for every infringing performance;

* * * * * *

(e) *Royalties for use of mechanical reproduction of musical works.*—Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work upon the parts of musical instruments serving to reproduce mechanically the musical work, then in case of infringement of such copyright by the unauthorized manufacture, use, or sale of interchangeable parts, such as disks, rolls, bands, or cylinders for use in mechanical music-producing machines adapted to reproduce the copyrighted music, no criminal action shall be brought, but in a civil action an injunction may be granted upon such terms as the court may impose, and the plaintiff shall be entitled to recover in lieu of profits and damages a royalty as provided in section 1, subsection (e), of this title: *Provided also,* That when-

ever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do the court may, in its discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages, and not as a penalty, and also a temporary injunction until the full award is paid.

Appendix C

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 238—October Term, 1956.

(Argued February 13, 1957 Decided September 28, 1957.)

Docket No. 24392

SHAPIRO, BERNSTEIN & Co., INC., GERSHWIN PUBLISHING CORPORATION, EDWARD B. MARKS MUSIC CORPORATION, MILLER MUSIC CORPORATION, LEWIS MUSIC PUBLISHING COMPANY, INC., and MUTUAL MUSIC SOCIETY, INC.,

Plaintiffs-Appellants,

HELEN D. MILLER, Individually and as Executrix of the Estate of Alton G. Miller, Deceased,

Plaintiff,

—v.—

SAM GOODY and PORTEM DISTRIBUTING, INC.,

Defendants-Appellees,

SIDNEY TURK and HAROLD GROSSBARDT, individually and doing business as COLONY RECORD & RADIO CENTER, COLONY RECORD & RADIO CENTER, INC., ARCADE MUSIC SHOP, INC., RIVOLI MUSIC CENTER, INC., and JOSEPH KRUG, individually and doing business as A. F. N. RECORD CO.,

Defendants.

Before:

HINCKS, LUMBARD and WATERMAN,

Circuit Judges.

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The plaintiffs, other than Helen D. Miller, individually and as executrix, appeal from a summary judgment of the United States District Court for the Southern District of New York, Kaufman, *J.*, 139 F. Supp. 176, dismissing their complaint for copyright infringement for unfair competition against the sellers of unauthorized phonograph records which mechanically reproduced the plaintiffs' copyrighted songs. *Reversed and remanded.*

JULIAN T. ABELES, of Abeles & Bernstein, New York, N. Y., *for plaintiffs-appellants.*

A. M. LOWENTHAL, of Telsey & Lowenthal, New York, N. Y. (Leon G. Telsey, on the brief), *for defendant-appellee, Sam Goody.*

HINCKS, *Circuit Judge:*

The plaintiffs-appellants, music publishers, and the defendants-appellees, Goody and Portem Distributing, Inc., moved for summary judgment on the following facts.

Joseph Krug, an original defendant below, manufactured two long-play phonograph disks on which were recorded propaganda radio broadcasts made by Major Alton "Glenn" Miller and his orchestra during the Second World War. These records included nine copyrighted musical selections the copyrights to which were owned by the six publisher-appellants each of whom had previously authorized its said copyrighted selections to be recorded. However, Krug had not been licensed to make the recordings involved, nor had he filed the notices nor paid the statutory royalties required by 17 U. S. C. A. 1(e) and 101(e).

The records were labeled "Major Glenn Miller and His A.E.F. Orchestra," "An A.F.N. Presentation." The same legends were on the jackets which also bore a photograph

of Miller in uniform. On both disk and jacket the customary disclosure of the manufacturer was absent except for the cryptic reference to "A.F.N." Krug, who made the records by tape recording off-the-air radio broadcasts, was thus spared the expense to which "legitimate" record producers are put for the talent of musical performers and the skill of recording technicians. Such practice is known to the trade as "disklegging," "bootlegging" or record "piracy."

Krug sold these records to dealer customers including the defendants, Sam Goody and Portem Distributing, Inc., who, in turn, sold them to the public at a considerably lower price than those produced by the Radio Corporation of America to whom the Millers, in so far as they had power to do so, had given exclusive rights to make and sell records of the performance involved.

It is a curious fact that although the Copyright Law has remained without relevant change since 1909 this case should present a question both basic and novel. Does either the Copyright Act or the common law provide copyright owners with a remedy against non-manufacturing sellers of unauthorized phonograph recordings of copyrighted songs?

On this appeal, we are concerned only with the rights of copyright owners. The plaintiff, Helen D. Miller, suing for the estate of her husband, is not a party to this appeal and her claims are not before us. Nor is the defendant Joseph Krug a party to the appeal because the appellants after obtaining a default judgment against him, 125 F. Supp. 348, agreed to a dismissal, with prejudice, as to the action against him upon the payment to them of $2,000 which, the appellants claim, was compensation for some of the expenses of the suit. In releasing Krug the appellants reserved all rights against the other defendants, including the appellees.

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In 1908 the Supreme Court held that player piano rolls were not "copies" and hence did not infringe musical copyrights. *White-Smith Music Publishing Co.* v. *Apollo Co.*, 209 U. S. 1. The rationale of the opinion clearly included phonograph records within that group of mechanical reproductions which were not deemed to be copeis for purposes of the then existing Copyright Act. Partially in response to that decision, the House Committee on Patents of the 60th Congress reported out a bill, which was later enacted and is now the law, carefully limiting the effect of the *White-Smith* decision. But by the very structure of the new law the case was not "overruled," as is best shown by the words of the Committee itself, *viz.*:

> "Your committee have felt that justice and fair dealing, however, required that when the copyrighted music of a composer was appropriated for mechanical reproduction the composer should have some compensation for its use and that the composer should have the further right of forbidding, if he so desired, the rendition of his copyrighted music by the mechanical reproducers. How to protect him in these rights without establishing a great music monopoly was the practical question the committee had to deal with. The only way to effect both purposes, as it seemed to the committee, was, after giving the composer the exclusive right to prohibit the use of his music by the mechanical reproducers, to provide that if he used or permitted the use of his music for such purpose then, upon the payment of a reasonable royalty, all who desired might reproduce the music." House Rep. #2222 on H. R. 28192, 60th Cong. 2d Sess., p. 6.

The provisions necessary to implement the legislative scheme were incorporated into the 1909 Act and have remained unchanged to the present time. We set them forth

in the margin.[1] Section 1(e), by its terms, concerns the compulsory licensing of the "manufacturer" of mechanical reproductions of the copyrighted work, and provides that if the 2¢ per "part" royalty is not paid by the manufacturer, the court in its discretion may award as damages to each owner whose copyright is infringed by the record ("part") the 2¢ royalty value plus three times that amount.

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[1] "§ 1. *Exclusive rights as to copyrighted works*

* * * * *

"(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided*, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to re-

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Section 101 provides that whenever the copyright owner has permitted the making of one mechanical reproduction the unauthorized "manufacture, use or sale" of a record (mechanical reproduction) constitutes an infringement and entitles the owner to an injunction and a recovery, in lieu of profits and damages, of the royalty provided in §1(e). It also directs "any person" who, in the

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produce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

"In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

"The reproduction or rendition of a musical composition by or upon coin-operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs."

"§ 101. *Infringement*

* * * * * *

"(e) *Royalties for use of mechanical reproduction of musical works.*—Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work upon the parts of musical instruments serving to reproduce mechanically the musical work, then in case of infringement of such copyright by the unauthorized manufacturer, use, or sale of interchangeable parts, such as disks, rolls, bands, or cylinders for use in mechanical music-producing machines adapted to reproduce the copyrighted music, no criminal action shall be brought, but in a civil action an injunction may be granted upon such terms as the court may impose, and the plaintiff shall be entitled to recover in lieu of profits and damages a royalty as provided in section 1, subsection (e), of this title: *Provided also*, That whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall

absence of a license agreement, intends to use the copyrighted music, once it has been licensed to another, to serve notice to that effect on the copyright owner thereof and the copyright office. It further provides that, upon failure to comply with the compulsory licensing provision, the court in its discretion may award the owner "a further sum, not to exceed three times the amount provided by section 1, subsection (e) of this title, by way of damages * * *."

A natural reading of these sections leads us to the conclusion that a seller of unauthorized records of copyrighted music, although having no connection with the manufacturer, is an infringer and liable for damages which the Act provides. But the appellees urge us to eliminate from the phrase "manufacture, use, or sale of interchangeable parts, such as disks * * *" (§ 101(e)) the word "sale." Failure to do so, they contend, would create conflict with what the appellees claim is the basic purpose of the entire compulsory licensing scheme. To substantiate this, the appellees point to certain alleged injustices which would result from such interpretation.

First, appellees claim that such construction would hinge their liability as non-manufacturing sellers on the acts or omissions of the manufacturer, over whom they have no control. Even if this be true, it is no more burdensome than the liability of any non-manufacturing seller who, without knowing it, infringes a copyright. Such sellers generally have no more control over their supplier's compliance with the Act than those appellees, yet are held

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serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do the court may, in his discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages and not as a penalty, and also a temporary injunction until the full award is paid."

liable. *Woolworth Co.* v. *Contemporary Art*, 344 U. S. 228, 229. *Cf.* 35 U. S. C. A. § 271(a). That records are not "copies," will not save the record bootlegger from the rule of the *Woolworth* case because § 101(e) clearly classifies the sale of unauthorized records as an infringement.

Also, the appellees urge that in their case it would be unjust to burden them with the impractical responsibility of ascertaining at their peril whether records they sell have been authorized by the Copyright Act or by the owners of all copyrighted music thereon, especially in view of the fact that other authorized recordings (since not "copies") do not carry a compulsory copyright notation. But this burden, we think, is not unduly onerous; most reputable manufacturers can easily demonstrate to their customers that their records are authorized. When dealing with unknown manufacturers the burden on a purchaser for resale to exercise caution is no greater than that required of the buyer of any merchandise which might infringe. Cf. *Woolworth Co.* v. *Contemporary Art, supra.* Since, as will be shown, the dollar liability for selling unauthorized records is usually less (because of the generally small value) than that imposed upon other non-manufacturing infringers, 17 U. S. C. A. § 101(b), we cannot say that the burden of diligence is so great as to overcome what we would otherwise conclude is the statutory scheme.

The appellees further urge that it would be anomalous to hold the seller liable, when the manufacturer, according to the doctrine of *G. Ricordi & Co.* v. *Columbia Graphophone Co.*, 2 Cir., 263 Fed. 354, may at any time, even after judgment, file for a compulsory license and free the subject records from their infringing status. This argument misconceives the holding of the *Ricordi* case. As we understand that case, there were two sets of records, one voice, the other violin, both manufactured by the defendant therein and both using the same copyrighted music. The voice records were originally the subject of the suit and we

held that the defendant, notwithstanding his obtaining during the course of the suit a license for violin records, which he seemingly had not manufactured before suit, was liable for statutory damages for the voice records. We held that the subsequent violin license estopped the defendant from attacking the basic validity of the copyright in issue, but this was all we held. And this aside, there is nothing anomalous in a statutory provision for a claim for the 2¢ royalty against a seller who at the time of his sale was an infringer. To declare that a royalty payment frees the record from further contribution (§ 1(e)) is a far cry from saying that the payment exonerates any and all prior infringers from liability already accrued.

The appellees point to our decision in *Shilkret* v. *Musicraft Records*, 2 Cir., 131 F. 2d 929, as an instance where we did not give some words of the Copyright Act their literal interpretation. In that case, a strict construction would have created an obvious conflict in the statute. Here, there is no such conflict: our interpretation accords significance and effect to all the words of the statute. *Ex parte Public Bank*, 278 U. S. 101, 104. We hold that the appellees, as sellers of unauthorized records, are liable under § 101 (e).

There is no room for arguing that even if § 101(e) does apply to sellers and makes them liable for infringement there is no penalty prescribed,—only injunctive relief is provided. Under this argument the phrase allowing plaintiff to recover a "royalty as provided in section 1, subsection (e)" is limited to manufacturer defendants since they are the only defendants referred to in § 1(e). But this approach overlooks the fact that the manufacturer-defendants under § 1(e) (authorized manufacturers) can never be the same persons as the manufacturer-defendants (unauthorized manufacturers) under § 101(c). Since it is plain that the remedy of § 101(e) extends to unauthorized manufacturers who could not be sued under § 1(e), we think it

equally apparent that the reference in § 101(e) to the "royalty as provided in" § 1(e) was intended to limit not the class of potential defendants but only the amount of the royalty. This view is supported by the declaration in § 101(e) that "the plaintiff shall recover" rather than that "the defendant shall be liable." It is further supported by the fact that the phrase appears in the part of § 101(e) concerned with measure of recovery and not with liability.

We next come to the appellants' contention that they each may have a recovery under § 101(e) which in no event may be less than the $250 minimum per infringement provided in § 101(b). We conclude, as did Judge Kaufman, that under the statutory scheme the general damage provisions of § 101(b) are not applicable to the infringement of a musical copyright by mechanical reproduction.

Section 101(b) indicates that the measure of recovery is all the damage suffered by the owner plus all profits of the infringer. However, in lieu of proof of "actual damages and profits," because of the difficulty of proof, *Brady* v. *Daly*, 175 U. S. 148, 157, the court may award damages as may appear just between general limits, *viz.*, a minimum of $250 and a maximum of $5,000. The specific limits set in § 101(b) for the types of infringement listed in the four subsections are merely guideposts for the courts to employ between the general limits. *Jewell-LaSalle Realty Co.* v. *Buck*, 283 U. S. 202; *Westerman* v. *Dispatch Printing Co.*, 249 U. S. 100.

But when the Copyright Act of 1909 extended copyright control to the reproduction of music by mechanical parts a different regulatory plan was adopted and a different basis of recovery was provided which, we think, is in essential conflict with the measure of recovery under § 101(b). For the royalty under the compulsory license provided by § 1(e), which Congress set arbitrarily at 2¢ per record, was a form of statutory compensation which by its very nature measured the damages resulting from its non-payment.

That this was so is indicated by the wording of § 101(e) which provided for the recovery of the royalty "in lieu of profits and damages." Since, under the statutory scheme, recovery of the statutory royalty afforded the measure of compensation which Congress contemplated for the owner, the difficult problem of proof which is presented in cases not controlled by a royalty does not arise and there is hence no need in such cases for the application of the $5,000 maximum and a $250 minimum which Congress provided for other types of infringement under § 101(b) as a substitute for proof of actual damages. For cases under §101(e), the basic royalty of 2¢ is both maximum and minimum: as to this basic amount there is no discretion. In view of this conflict between the scheme envisaged by § 101(b) and that of § 101(e), we think the specific statutory sections concerned with parts serving to reproduce mechanically the musical work, which are also textually and chronologically later than § 101(b), should control the general provisions. *Townsend* v. *Little*, 109 U. S. 504; *United States* v. *City of Chester*, 3 Cir., 144 F. 2d 415; *United States* v. *Windle*, 8 Cir., 158 F. 2d 196.

This brings us to another troublesome question which also is novel: Does the owner's recovery against the seller, like his recovery against the manufacturer, include in addition to the 2¢ royalty a discretionary allowance not to exceed the royalty trebled, or is it limited to the 2¢ royalty?

As to this, we hold that the recovery against a seller is limited to 2¢ per record. Certainly in the first part of § 101(e), which casts liability for infringement upon sellers, there is no provision for the addition to the award of a sum comprising the royalty trebled: the provision therein contained for allowance against a seller of "a royalty as provided in section 1, subsection (e)" points solely to that part of § 1(e) which creates a statutory royalty of 2¢, not to the next to the last paragraph in § 1(e) which gives the court discretion to increase the award by the royalty

trebled. The language providing for a recovery against the seller of "a royalty" is scarcely adequate to provide a recovery of a sum amounting to the royalty plus the royalty trebled. Moreover, the proviso which comprises the second part of § 101(e) is limited to a person who, "in the absence of a license agreement, *intends to use* a copyright musical composition upon parts of instruments * * *, relying upon the compulsory license provision of this title." The language of this limitation is apt for application to a manufacturer,—but scarcely applicable to a dealer who generally does not *intend to use a composition upon the parts of instruments*, etc. Indeed, if the enlarged recovery created by the proviso was intended, like the remedy provided in the first part of § 101(e), to apply to sellers as well as manufacturers, the limitation of the proviso, quoted above, would have been entirely redundant.

There is also a certain amount of ambiguity as to the effect of § 116 of Title 17 on § 101(e). Section 116 of Title 17 declares that in "all" actions under that title "full costs" shall be allowed and the prevailing party, in the discretion of the court, may be awarded reasonable attorney's fees. Although this general provision has no exceptive clauses, § 1(e) contains a specific provision making both "taxable costs" and counsel fees discretionary when the plaintiff copyright owner prevails. Section 101(e) is silent as to both factors and there is no reason to read § 101(e) as limited by § 1(e) since we have shown that these two sections are directed at two different situations. We believe that the general provisions of § 116 are applicable to cases under § 101(e) so that "full costs" are to be allowed and the prevailing parties will be entitled to reasonable fees in the discretion of the District Court.

The appellees would avoid any recovery by the appellants under § 101(e) because the appellants have settled with Krug. This, they claim, freed the records involved in this action from further contribution to the copyright proprietors. The settlement thus invoked was made pursuant

to a stipulation of the parties after the pending action had been brought and after the defendant Krug, who had suffered a default judgment for failure to answer the complaint, had filed a counterclaim against the plaintiff Helen D. Miller, individually and as executrix. By the stipulation it was provided that Krug would discontinue his counterclaim against the said Miller and would pay the plaintiffs $2,000 "on account of the costs and expenses incurred by the plaintiffs, other than Helen D. Miller individually et cetera, in their proceedings herein against said defendant" and that the plaintiffs would "release and forever discharge * * * Krug * * * from all rights, claims, demands * * * concerning the subject matter of the above entitled action * * *; without prejudice to any and all rights, claims, demands * * * of the * * * plaintiffs * * * against the defendants * * * other than * * * Krug * * *; the above named plaintiffs * * * expressly excepting and reserving, and not hereby intending to settle * * * any rights, claims, demands * * * which they * * * may or can have against Krug * * * and any and all others * * *." The court below, after reading this stipulation, entered the order of discontinuance therein provided for and the settlement was consummated.

To assess the impact of this settlement on the situation presented here, it is necessary first to determine whether the liability of the defendant-infringers under the Copyright Act is to any extent joint. We think not: we hold that the liability of each infringer, whether he be manufacturer, distributor or retailer, is several. For § 101(e) clearly defines infringement in the alternative, *viz.*: "unauthorized manufacture, use, or sale. From a normal reading of these words it would appear that the unauthorized manufacture of a set of "parts" or records is an infringement of each copyright and that unauthorized sale of some or all of that set is a separate infringement. *Westerman Co.* v. *Dispatch Printing Co., supra.* This would mean that the manufacturer and the seller are each

liable as infringers. The appellees argue that both the manufacturer and the seller may not be held liable because §1(e) expressly provides that a 2¢ royalty payment will free the record from further contribution. But, as we have said earlier, this 2¢ payment, while freeing the record, does not automatically terminate the liability of prior infringers. Since the liability of each defendant for royalties is several and independent, it follows that the appellees may not claim that any part of Krug's payment of $2,000 reduces their liability for royalties.

However, the settlement with Krug is a factor to consider in the assessment of costs which, we have seen, are mandatory for the prevailing party. Since the appellants have chosen to proceed against Krug and numerous other alleged infringers in this one action, any money Krug paid which was fairly allocable to the costs of this action should be allowed as a set-off against the liability, if any, of the other defendants for costs.

Similarly, when the question of plaintiffs' counsel fees is presented, if the District Court should decide to exercise its discretion and award fees, after fixing the amount to be allowed it should take into consideration the amount already paid by Krug which is fairly allocable to such fees and reduce the remaining liability, if any, of the other defendants by that amount.

The appellants, in addition to their statutory action, alleged a common law claim for "unfair trade practices and unfair competition" which was dismissed because the music in issue, having been published, was protected only by the Copyright Law, which afforded the sole measure of protection. The appellants claim that, notwithstanding publication of the songs, they retain common law rights in the titles and may on that account prevent the appellees' use thereof. There is no claim here that Krug or the appellees meant to, or that their labeling did in fact, mislead the public as to the musical content of the records. If the appellants' titles were used, it was because their songs were used. Absent

the Copyright Law, this would be proper. *National Comics Publications* v. *Fawcett Publications*, 2 Cir., 191 F. 2d 594. Titles are protected only to the extent necessary to prevent confusion on the part of the public as to the identity of the composition covered by the title. *Warner Bros. Pictures, Inc.* v. *Majestic Pictures Corp.*, 2 Cir., 70 F. 2d 310, 312. Where, as here, there is no confusion and no deception, protection is denied *Becker* v. *Loews, Inc.*, 7 Cir., 133 F. 2d 889, 893, cert. den. 319 U. S. 772; *Manners* v. *Triangle Film Corp.*, 2 Cir., 247 Fed. 301, 303; *International Film Service Co.* v. *Associated Producers*, 273 Fed. 585, 587 (S. D. N. Y.).

Appellants urge that the District Judge dismissed this common law count without passing on the merits. That this contention is demonstrably false may be seen from the District Court's opinion. 139 F. Supp. at 187. The disposition below of this common law claim was on the merits and was correct.

It certainly is true that the Act of 1909 in its provisions extending copyright control of musical compositions and mechanical parts is in several respects difficult to interpret. However, we think the foregoing rulings and interpretations are fairly indicated by the text of the Act and the structure of the statutory scheme. As Judge Kaufman so well said below, it is only for Congress to decide whether the protection and control afforded the proprietor is "fair," or "adequate" either from the private or the public viewpoint, or is the best possible balance between private and public interests.

The upshot of our rulings requires that the summary judgment in favor of these appellees be reversed. On remand, it will be for the court to determine in accordance with the foregoing opinion whether each defendant infringed and, if so, to enter an appropriate judgment against each such defendant which shall reflect such determinations as shall be made with respect to costs and counsel fees.

Reversed and remanded.

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UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

Civ. 93-202

HELEN D. MILLER, Individually and as Executrix of the Estate of Alton G. Miller, Deceased, SHAPIRO, BERNSTEIN & Co., INC., GERSHWIN PUBLISHING CORPORATION, EDWARD B. MARKS MUSIC CORPORATION, MILLER MUSIC CORPORATION, LEWIS MUSIC PUBLISHING COMPANY, INC., and MUTUAL MUSIC SOCIETY, INC.,

Plaintiffs,

against

SAM GOODY, SIDNEY TURK and HAROLD GROSSBARDT individually and doing business as COLONY RECORD & RADIO CENTER, COLONY RECORD & RADIO CENTER, INC., ARCADE MUSIC SHOP, INC., RIVOLI MUSIC CENTER, INC., PORTEM DISTRIBUTING, INC. and JOSEPH KRUG individually and doing business as A. F. N. RECORD Co.,

Defendants.

APPEARANCES:

ABELES & BERNSTEIN, Attorneys for Plaintiffs, Shapiro, Bernstein & Co., Inc. Gershwin Publishing Corporation, Edward B. Marks Music Corporation, Miller Music Corporation, Lewis Music Publishing Company, Inc. and Mutual Music Society, Inc. 745 Fifth Avenue New York 22, N. Y. By Julian T. Abeles, of Counsel.

TELSEY, LOWENTHAL, ROTHENBERG & MASON Attorneys for Defendant Sam Goody 55 Liberty Street, New York 5, N. Y. By Leon G. Telsey Abraham M. Lowenthal, of Counsel.

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RAUCHER & LEFTOFF Attorneys for Defendant Portem Distributing, Inc. 11 West 42nd Street New York 36, N. Y. By Morris B. Raucher, of Counsel.

IRVING R. KAUFMAN, D. J.

Some time in 1951, defendant Joseph Krug, a phonograph record salesman, came into possession of certain acetate disks recording propaganda radio broadcasts made by Glen Miller and orchestra when Mr. Miller was a major in the United States Army during World War II. Krug tape-recorded the selections on those disks, and from the tapes he made the matrices, plates, molds, stamps, etc. necessary for the manufacture of records; then, doing business as the A.F.N. Record Company, he commenced to manufacture and sell two ten inch long-play records of the Miller performance. The jackets in which the records were sold carried a picture of Glenn Miller in his army uniform and the captions, "Major Glenn Miller and His A.E.F. Orchestra", "An AFN Presentation". The labels on the records themselves were similarly captioned.

Of the thirteen musical selections contained on both of these records, nine were copyrighted musical works whose copyrights were held by various musical publishers.[1] These

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[1] The selections and publisher-proprietors were as follows:

Name of Publisher	*Title of Composition*
Shapiro, Bernstein & Co., Inc.	"In the Mood"
Gershwin Publishing Corporation	"Summertime"
Edward B. Marks Music Corporation	"Poinciana"
Miller Music Corporation	"Great Day"
Lewis Music Publishing Company, Inc.	"Tuxedo Junction"
Mutual Music Society, Inc.	"American Patrol"
" " " "	"Song of the Volga Boatman"
" " " "	"Anvil Chorus"
" " " "	"A String of Pearls"

copyright proprietors had each previously permitted the recording of the selections involved; therefore, under the so-called compulsory licensing provisions of the copyright law 17 U.S.C. 1(e) and 101(e), which deal specifically with mechanical reproduction of musical compositions, Krug was entitled to manufacture recordings of these selections provided he filed notice of his intention to do so, and provided he paid the copyright proprietors a royalty of 2 cents for each record manufactured. Krug, however, neither filed the requisite notice nor paid the statutory royalties, and he thereupon became an infringer and subject to statutory damages.[3]

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[3] The two mechanical reproduction sub-sections of the copyright law provide:

§ 1. *Exclusive rights as to copyrighted works.*

* * *

(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided*, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the

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Among Krug's record dealer customers were the Portem Distributing, Inc. and Sam Goody the latter reputed to be one of the largest record dealers in the world. Both Mr. Robert E. Pare, president of Portem Distributing, Inc. and Mr. Goody had been acquainted with Mr. Krug in his capacity as a record salesman for the Colony Record & Radio Center, but both assert that they found nothing surprising or suspicious when it appeared that he was also in the business of manufacturing records under his own label. They made no effort to ascertain whether he had fulfilled his obligations under the copyright law, nor, seemingly, did they make inquiry as to Krug's authority to use Glenn Miller's picture, and to re-record his per-

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[2] *Continued.*

number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

The reproduction or rendition of a musical composition by or upon coin-operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs.

formance.[3] Both assert that because of the large number of record manufacturers in the field, ranging from large-scale producers to small operations similar in size to Krug's, and because of the compulsory licensing provisions of the copyright law, they cannot and do not attempt to ascertain whether every manufacturer with which they deal has taken the proper steps required under that law.

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[3] *Continued.*

§ 101. *Infringement.*

* * *

(e) *Royalties for use of mechanical reproduction of musical works.* Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work upon the parts of musical instruments serving to reproduce mechanically the musical work, then in case of infringement of such copyright by the unauthorized manufacture, use, or sale of interchangeable parts, such as disks, rolls, bands, or cylinders for use in mechanical music-producing machines adapted to reproduce the copyrighted music, no criminal action shall be brought, but in a civil action an injunction may be granted upon such terms as the court may impose, and the plaintiff shall be entitled to recover in lieu of profits and damages a royalty as provided in section 1, subsection (e), of this title: *Provided also,* That whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do, the court may, in its discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages, and not as a penalty, and also a temporary injunction until the full award is paid.

These two sections have remained unchanged since the Copyright Act of 1909, although initially Section 101(e) was called Section 25(e).

[3] It is still uncertain whether Krug was required to get authority from the Miller estate, and this phase of the case is yet to be tried. The uncertainties surrounding the law in this area of "dubbing" recordings will be discussed in note [5] *infra.*

Appendix C

In May of 1954, Helen D. Miller, who is Glenn Miller's widow and executrix of his estate, joined with the six publishing companies who between them own the nine musical copyrights which had been infringed, and together they brought suit against Krug individually and doing business as A.F.N. Record Company, and against Sam Goody, Portem Distributing, Inc. and several other record dealers who had allegedly bought infringing records from Krug and resold them to the public. Helen D, Miller's complaint was based on unfair trade practices and unfair competition as she alleged that she had the exclusive right to control the recording of Glenn Miller's performances, that she and her husband before her had negotiated exclusive contracts with RCA Victor which fact was well known in the industry, that Krug's records were of inferior quality, and that he and the defendant dealers, therefore, had damaged the value of Glenn Miller's name and reputation by selling these technically inferior recordings, and had also interfered with and damaged her property rights in the name, likeness and music of Glenn Miller, which rights have earned her substantial royalties from RCA Victor and other companies which have paid to use the name and likeness of Glenn Miller in the motion picture, radio and sheet music industries. The complaint of the publishers was based on Krug's violation of the copyright law and on the resale by the dealer defendants of those infringing records, which sale, the publishers assert, was also a violation of the copyright law subjecting the dealers to liability for statutory damages.

The plaintiffs proceeded first against Krug, and on October 5, 1954, the publisher plaintiffs made a motion for a default judgment against Krug who had failed to answer their complaint or take any other steps with respect to it. The default was granted, and by its terms, Krug

was enjoined from infringing the musical copyrights involved; a Special Master was appointed to take testimony and compute the amount of damages and royalties owing; and Krug was ordered to turn over to the Special Master all the materials with which he had made the infringing records, provided that upon satisfactory proof to the Court that Krug had filed the requisite notice and paid the royalties found due, the injunction and impounding order would be lifted. *Miller* v. *Goody*, 125 F. Supp. 348 (S.D N.Y. 1954). Computation proceedings were started, and Krug was called as a witness before the Special Master; before the royalties owing could be ascertained, however, the publisher plaintiffs and Helen D. Miller entered into a stipulation of settlement with Krug. Under its terms, the injunction against making the offending records was made permanent; Krug turned over to the plaintiffs all the materials with which he had manufactured, labeled and jacketed the recordings; and he paid the plaintiffs other than Helen D. Miller $2,000 "on account of the costs and expenses incurred * * * in their proceedings" against him. All the plaintiffs, while discharging Krug and his heirs, executors and administrators from any further liability arising from this cause of action, expressly reserved all their rights against the other defendants in the case.

By the present motion, the plaintiff publishers are pressing their cause of action separately from that of Helen D. Miller. They seek summary judgment against Sam Goody and Portem Distributing, Inc., two of the defendant dealers. Although the publishers' cause of action has its roots in Sections 1(e) and 101(e) of the copyright law, which sections deal with the mechanical reproduction of music, they seek to recover damages provided for in Section 101(b) of the Act. This latter section, which deals with copyright infringement generally,

provides for a minimum recovery of $250. per infringement (with certain enumerated exceptions) where infringement is found but the number of infringing copies sold or published is uncertain. The publishers assert that the dealer defendants infringed their copyrights when they sold the A.F.N. records. The publishers urge that since each defendant admits the sale of some of these records (though the number sold is in dispute), and since under the copyright law intention to infringe is immaterial, they are entitled to a recovery of $250. per copyright from each defendant.

The two dealer defendants herein admit in their brief that "the sale or vending of an unauthorized copy of a copyrighted article by anyone is an infringement of the copyright irrespective of the position of the vendor in the distributive process, his bona fides, his innocence, or the unknown peril to which he may have been subjected." And this is undoubtedly the law. *F. W. Woolworth Co.* v. *Contemporary Arts*, 344 U. S. 228 (1952); *DeAcosta* v. *Brown*, 146 F. 2d 408 (C.C.A. 2, 1944). Defendants agree, therefore, that the question of their asserted innocence of evil intent is immaterial, and that the case is a proper one for determination by summary judgment since no facts are in issue nor is there need for adjudicating credibility of witnesses. They contend, however, that upon the law the judgment must be in their favor because a record is not a copy of a musical composition within the meaning of the copyright law, and the sale of that which is not an infringing copy is not a violation of the copyright law under Section 101(b) or any other section. They urge that Congress specifically refused to label a recording as a copy and thereby give the musical copyright proprietor complete protection from mechanical reproduction of his music; instead, Congress made specific limited provisions to ensure that record manufacturers pay some price for the use of a composer's work. The

dealers contend that those limited provisions, Sections 1(e) and 101(e) are the only rights given to the copyright proprietor when dealing with mechanical reproductions, and they provide for recovery solely against the manufacturer, and then only in certain specified amounts dependent on the number of records manufactured, there being no minimum penalty provision as there is for unauthorized copying. In sum, the defendants argue that under the law the non-manufacturing seller, no matter what the state of his knowledge, is not accountable to the proprietor or to anyone for his sale of infringing records.

A painstaking analysis of the legislative history of the Copyright Act of 1901 and the contemporary comment about it, and a thorough study of the history of the recording industry since that act went into effect, have led me to conclude regretfully that the defendants' contentions must be sustained. In reaching this conclusion, I must confess that I have not been moved by defendants' protestations of innocent intent, which I question: Krug's lack of business address, business stationery or even a telephone listing, and his sale of Glenn Miller recordings under an unknown label and in jackets which stated that the records had been taken from radio broadcasts without any showing of approval from the Miller estate, were clear indications that he was a record pirate.[4] While the question of whether a performer like Mr. Miller is protected from such re-recordings has not yet been

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[4] Record pirates or "diskleggers" as they have been called, are manufacturers who re-record or "dub" recordings made by legitimate companies and sell them competitively. In this manner, they avoid having to pay the performers for their time, and they have the benefit of the initial recording company's talents in getting the finest rendition possible. Ordinarily, they also omit payment of the copyright, although, as far as the copyright law is concerned, even a pirate has the right to record copyrighted musical compositions provided he files notice of intent and pays the royalties.

definitively settled,[5] and is indeed the subject of another phase of this lawsuit, it is fairly well known in the trade that most record pirates usually do not pay the necessary royalty fee, particularly when they are operating on a small scale as was Mr. Krug. Note, *Piracy on Records*, 5 Stanford L. Rev. 433 (1952-53). It appears, however, that the law is such that regardless of defendants' awareness of Mr. Krug's probable infringement of any copyrighted selections on the recordings, their acceptance and resale of these records did not violate the copyright laws.[6]

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[5] *Compare Waring* v. *WDAS Broadcasting Station*, 327 Pa. 433, 194 A. 631 (1937); *RCA Manufacturing Co.* v. *Whiteman*, 114 F. 2d 86 (C.C.A. 2) *cert. denied*, 311 U. S. 712 (1940); *Capitol Records* v. *Mercury Records Corp.*, 221 F. 2d 657 (C. A. 2, 1955) Hand, J. dissenting. The question of the rights of performers in their recorded performances, and of recording companies in their talent in making initial recordings, as against record pirates and others who broadcast the original recordings, has been the subject of numerous legal articles. See *e.g. Chafee, Reflections on the Law of Copyright*, 45 Col. L. Rev. 719, 733 et seq. (1945); Comment, *Protection of the Performing Artist's "Interpretative Rendition" Through the Arranger's Copyright*, 37 Ill. L. Rev. 245 (1942-43); Note, *Rights of Performers and Recorders Against Unlicensed Record Broadcasts*, 49 Yale L. J. 559 (1939-40). The question of whether there is any common law protection for these artists and recording companies either via common law copyright or unfair competition has been considered by few courts so far and different conclusions have been reached. The weight of legal comment seems to be that solution will have to be sought by amendment of the copyright law which, at present, does not permit the copyrighting of a recording. These articles point out that this problem has been before Congress many times but because of the many conflicting interests involved, a satisfactory solution has not been reached and the copyright law has remained unchanged.

[6] A corollary to this conclusion, to be discussed *infra*, is that the defendants did not violate any common law rights of the copyright proprietors either, because as will be pointed out, the proprietors are in an area wholly governed by statute and cannot make even the tenuous claims to common law protection in the absence of statute which are being made by recording companies and performing artists in their fight against pirates.

This conclusion makes unnecessary any consideration of other contentions raised by the defendants to the effect that the settlement with Krug released the dealers from liability.

Appendix C

Under the copyright laws existing prior to 1909, "the author, inventor, designer or proprietor of any book, map, chart, dramatic or musical composition [had] the sole liberty of printing, reprinting, publishing, completing, copying, executing and vending the same." *White Smith Music Co.* v. *Apollo Co.*, 209 U. S. 1, 9 (1907). This is similar to the protection accorded a copyright proprietor today under 17 U.S.C. 1(a); yet, in the *Apollo* case, *supra*, the Supreme Court held that this list of rights did not protect the copyright proprietor from one who mechanically reproduced the sound of a musical composition on a piano roll or similar mechanical device [e.g. recordings]. While agreeing that the purpose of the copyright laws was to protect intellectual conceptions, the Court maintained that it was the tangible result of the conception which alone was protected from copying, and the tangible result of the composer's art was the sheet music by which one versed in the art could read his score. The Court defined a copy of a musical composition as "a written or printed record of it in intelligible notation." The appeal of a copy must be to the eye, not the ear. It said, "It may be true that in a broad sense, a mechanical instrument which reproduces a tune copies it; but this is a strained and artificial meaning." *Id.* at 17. The Court found its conclusion regrettable in that record and piano roll manufacturers were thus getting a profitable use of musical compositions without paying value therefor, but it stated that this was a consideration properly addressed to the legislature and not to the courts.[7]

In the Copyright Act of 1909, Congress undertook to remedy this inequity and to grant some measure of protec-

[7] It must be noted that the Court addressed itself wholly to the question of statutory interpretation, and the question of whether Congress could constitutionally provide that a recording was a copy was not before it.

tion to musical copyright proprietors against those who were profiting by making recordings of their compositions which were incapable of being read but which served as parts of mechanisms which reproduced such compositions in sound. Congress did not, however, include mechanical reproduction of music in its definition of a copy, although to have done so would have been an easy solution, granting the musical proprietor complete copyright protection against mechanical reproduction. The reasons for not defining a recording as a copy were spelled out in the House Report accompanying the proposed bill.* Congress feared the creation of a giant music monopoly in which the big publishing houses, which owned most musical copyrights, would negotiate with the great recording companies for exclusive recording contracts—and such negotiations had actually been started in anticipation of a more favorable Supreme Court decision in the *Apollo* case. To avoid a music trust injurious to public and composer alike, and to still protect the composer in his work was the problem Congress faced. Its solution was to provide that the musical copyright proprietor could forbid all mechanical reproduction of his music, but once he licensed one company to record it, then all other manufacturers could so record provided they filed a notice of intent and paid a royalty of 2 cents per record. Manufacture in violation of these provisions was made enjoinable, and damages up to three times the amount of royalties due were to be awarded in cases of infringement. The report flatly stated, "It is not the committee's intention to extend the right of copyright to the mechanical reproductions themselves, but only to give control over the manufacture and use of

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* House Report #2222 on H.R. 28192, 60th Cong. 2d Session. Senate Report 1108 dealing with the same bill merely states that it adopts H.R. #2222 in toto.

such devices." Although the bill had been unanimously endorsed by the committees of both Houses of Congress, it did not pass unchallenged. Debate on the House floor, as in the committee, was centered on the "canned music" provisions. Detractors argued that putting a flat price on the copyright proprietor's property, *i.e.* 2 cents a record was an unconstitutional infringement of property rights, but the bill's defenders pointed out that copyright rights are strictly statutory, that prior to this bill the composer had no rights against mechanical reproduction, and Congress in giving him a right could limit or condition it. Further, they pointed out, the constitution speaks of promoting progress in science and the arts as the purpose of copyright protection, and a grant of right which could lead to a music monopoly would be a deterrent to such progress. Again and again, during debate references were made to the manufacturer's rights and duties, and it was clear that the committee considered that the 2 cents plus treble damages was all the relief it was providing, and that this was to be payable by the manufacturer. Cong. Record, March 31, 1909, pages 3765-3767, 3768-3770. The bill, as recommended and understood by the committee, was enacted into law and its provisions still govern today.

Legal commentators have criticized this law because of the limited protection given to musical copyright proprietors. In Shafter, *Musical Copyright*, pages 236-244 (1932), the royalty provisions are discussed solely in terms of the manufacturer, and Shafter points out that one disadvantage of the present law is the lack of an award for minimum infringement. In other instances of copyright law, he says, intentions and result are immaterial; if the infringement takes place, there is a minimum award—but this is not so in mechanical reproduction cases. He adds that fly-by-night manufacturers who falsify their books as to the number of records manufactured are a serious

problem in the industry. Similar critical comment is made in Weil, *American Copyright Law*, pages 63, 96-97, 489 (1917) which criticizes the fact that the proprietor is without apparent remedy against an insolvent manufacturer, except, of course, for injunction. No mention is made of a possible alternative recovery from a seller. Congressional unfriendliness towards extending the copyright of musical compositions to mechanical reproductions, and the failure of efforts to persuade Congress to provide less meagre relief were recently noted by the Court of Appeals for the Second Circuit in *E. B. Marks Music Corp.* v. *Foullon*, 171 F. 2d 905 (1949). The fact that mechanical reproduction is considered a separate area not under the general scope of the copyright law is also illustrated by the fact that the basic copyright texts deal with mechanical reproduction of music as a separate topic, and do not include it with their general discussion of copyright infringement. See *e.g.* Shafter, *Musical Copyright* (1932); Weil, *Copyright Law* (1917); Bowker, *Copyright, Its History and Its Law* (1912); Amdur, *Copyright Law and Practice* (1936).

Similarly, comment has often been made to the effect that a recording is not a copy within the meaning of the copyright law, and that distribution of such records is not publication. See *Capitol Records Co.* v. *Mercury Records Corp.*, 221 F. 2d 657, 659-662, 664-665 (C. A. 2, 1955); Nimmer, *Copyright Publication*, 56 Col. Law Rev. 185, 188 n. 34 (1956). The problem of mechanical reproduction of musical compositions is not specifically covered in the Universal Copyright Convention adopted in Geneva in 1952 by the Intergovernmental Copyright Conference sponsored by UNESCO. However, Article VI. of that Convention defines publication as "the reproduction in tangible form of copies of a work from which it can be read or otherwise visually perceived." In Dubin, *Copyright Aspects of Sound Recordings*, 26 So. Calif. L. Rev. 139-156 (1953), it is pointed out that p tting "aural" perception into this

definition of a copy would have caused confusion in the United States where records are not deemed to be publications.[9]

Despite this background of comment adverse to the claims made herein by the publisher plaintiffs, and despite the fact that except for one lawsuit brought in 1952 [to be discussed *infra*], the musical industry has operated under the assumption that the $250. minimum penalty does not apply to mechanical reproduction, and that the sole remedies for such recording are against the manufacturer as set forth in Sections 1(e) and 101(e), the publishers urge here that the copyright law can be and should be construed in favor of their contentions. They base their argument on the language in Section 101(e) which speaks of "infringement of such copyright by the unauthorized *manufacture, use or sale*" of recordings and other mechanical sound reproducing devices (Italics supplied). This subsection then states that the plaintiff is entitled to recover for such infringement and it does not specifically limit

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[9] This American view that recordings are not publications stems from the limited scope of the copyright law of 1909 and its rationale that records are not copies. This has caused confusion in another area of the musical industry; since a recording is not a copy of a musical selection, it cannot be filed under the copyright law which requires that a copy of the composition to be protected must be filed. With the current popularity of records as opposed to sheet music, a practice has arisen of releasing musical selections in recorded form before publishing the sheet music. The question arises, is such a recorded release a publication within the meaning of the copyright law which would deprive the composer of a right to later file a "copy" of his song and receive statutory protection. (Publication ends common law rights, and filing under the statute must be simultaneous with such publication, or there is a dedication to the public and all copyright protection is lost.) See Kaplan, *Publication in Copyright Law: The Question of Phonograph Records*, 103 U. of Pa. L. Rev. 469 (1954-55); Chafee, *Reflections on the Law of Copyright*, *supra*. This question would not have arisen were a recording considered a copy within the meaning of the copyright law.

that right to recovery from the manufacturer. The publishers contend that there is a distinction between recordings made by a manufacturer who files notice of compulsory license but then fails to pay the royalties, and recordings made by a manufacturer who does not even file notice. The former they agree are covered exclusively by the royalty-treble royalty provisions. They urge, however, that the latter are records whose manufacture is unauthorized within the meaning of Section 101(e) and whose use or sale is an infringement of the Act. They contend that Section 101(e) with its limited treble damage provisions is the sole provision applicable only in situations where there has been a compulsory license agreement. Where there is no such arrangement, as was the case here, then there is regular copyright infringement and the other infringement sections, notably the minimum damage section [101(b)] are applicable. Since Krug did not even file the requisite notice, it is urged that his recordings fall into this latter category. The plaintiffs argue that if Section 101(e) is construed as applying only to the initial manufacture of such records, and as providing recovery only against such an unauthorized manufacturer, then the phrase "manufacture, use or sale" becomes meaningless, and this, they say, would be improper construction.

Although their argument has surface merit, particularly the contention that an adverse ruling will deprive the phrase "manufacture, use or sale" of any meaning, I find that plaintiffs' position cannot be sustained; for to uphold them here would be to discard the entire statutory royalty and treble royalty scheme so painstakingly worked out by Congress in its attempt to resolve conflicting interests. Further, such a ruling would create practical enforcement difficulties incapable of being handled by judicial decision.

Dealing with this latter problem first, it has been held that a manufacturer may, at any time, change his status from infringer to compulsory licensee by filing the requi-

site notice and paying the royalties due. In *G. Ricordi & Co., Inc.* v. *Columbia Graphophone Co.*, 263 Fed. 354 (C.C.A. 2, 1920) this change in status was permitted between judgment and appeal in a suit involving illegal manufacture, and that case is still the controlling law. In this very action, Judge Dawson recognized the *Ricordi* principle when he ruled that the injunction against Krug would be lifted and his recording materials returned to him whenever he filed the requisite notice and paid the royalties due. *Miller* v. *Goody, supra.* Had there been no consent decree, and had Krug subsequently become a compulsory licensee, the records sold by defendants herein would have lost their status as infringing records. Indeed, by the terms of plaintiffs' own argument, had Krug filed notice and not paid the royalties, the records would still have lost infringing status at least to the extent that the only protection against them would then be that accorded under the mechanical reproduction sections and limited to recovery from the manufacturer. It is difficult to believe that Congress intended to hinge such huge differences in consequence on a paper distinction; moreover, Congress could hardly have intended to create a seller's liability totally dependent on the manufacturer's surface intent. It would be illogical to rule that a seller may at any time be sued as an infringer when he has no control over the status of the records involved. The copyright law must be read to have general application, and if it had been intended ever to apply to a non-manufacturing seller it would provide, as a matter of good drafting, for a set point in time when the seller does become liable, and set conditions for suit would be prescribed which would not rest wholly upon the actions of others. Clearly, the type of liability formula necessary is one which would have to be devised by the legislature, not imposed on an ad hoc basis by the judiciary, and to

impose liability against sellers generally without some such formula would be contrary to Congress' clear purpose to impose primary [if not sole] liability upon the manufacturer of infringing records.

Even more basic to the argument against plaintiffs' interpretation is that their construction makes the whole royalty-treble royalty, limited recovery scheme meaningless. According to plaintiffs' construction, the proprietor may recover royalties and damages from the infringing manufacturer, and then minimum damages or actual damages from any distributors of the infringing records, no matter how innocent their intent. This is basically the protection accorded against copying under the copyright law; had this been intended, Congress would merely have called a recording a copy and simplified its problem, or it would have provided for compulsory licensing and then said that recording without a license would be penalized as is ordinary infringement. The additional punitive clauses in Sections 1(e) and 101(e) would have been unnecessary. This line of reasoning finds further support in the fact that the words "manufacture, use or sale" appear in the same phrase; therefore, if the infringing seller is liable under Section 101(b), so also is the infringing manufacturer, and the penalty provisions of Section 101(e) either become meaningless or give to the musical copyright proprietor a greater choice in his type of recovery than is given to any other copyright holder. Such a conclusion would be wholly inconsistent with the legislative purpose of giving only limited rights against mechanical reproduction of music.

The basic unsoundness of plaintiffs' position is also demonstrated by the fact that for over forty years the musical industry operated on the assumption that the $250 minimum penalty clause was not applicable to mechanical reproduction of music. Perhaps a brief statement of the historical background of the industry may explain why the

instant contention is now being pressed with such tenacity. The plaintiffs' present position is being pursued as part of a general campaign on the part of copyright proprietors, legitimate recording companies, and musicians' and performers' organizations to drive record pirates out of business. This drive received impetus, when with the advent of long-play records, the record pirates, who had hitherto confined their operations largely to old records not recently re-released by the major companies, began to dub recordings of current hits and to invade the entire record market on a large scale. In January of 1952, as part of that campaign, Columbia Record Company and Louis Armstrong joined in a suit against one of the major record pirates, Paradox Industries, Inc., and its president, Dante Bollentino. This company, which sold its records under the "Jolly Roger" label, had dubbed many recent recordings made by Armstrong for Columbia. The Columbia suit was based on unfair competition and on invasion of Armstrong's right of privacy. The litigation ended in a consent decree which enjoined the defendants from dubbing plaintiffs' records and ordered that records and masters of plaintiffs' items be delivered up for destruction. The defendants were also enjoined from using Armstrong's name and picture without permission, and Armstrong received $1,000 in damages.

Although the settlement seemingly produced a favorable reaction in that the record pirates started to run for cover, the music industry was not quite satisfied with the decree. See Note, *Piracy on Records, supra.* Part of their dissatisfaction might well have stemmed from the fact that the settlement decree still created no precedent in a legally foggy area, and it was thought by many that the strongest pressure could be brought to bear against the pirates via the copyright act. Accordingly, four music publishing houses brought suit against Paradox and Bollentino alleging infringement of various musical copy-

rights held by them in that the defendants had recorded the selections without filing notice or paying the copyright fees. The defendants were already out of operations as a result of the Columbia consent decree, and they both defaulted; their attorney wrote to plaintiffs' attorneys that any victory would be pyrrhic. The plaintiffs had sued under the theory pressed here, *i. e.* that they were entitled to $250 per infringement.[10] Their brief in that case, which I have examined, nowhere indicated that there might be a difficult statutory interpretation problem as to whether the minimum penalty clause was applicable to recordings, and, there being no answering brief or argument, the default decree was entered as requested.[11] This default

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[10] They sued for this minimum amount not only because of the difficulty of proving the number of illegal records made, but because one of the reasons the pirates often did not bother to qualify under the copyright act was their belief that the minimum penalty clause was not applicable to mechanical reproductions. Since the usual number of pressings of each bootlegged record was 750 to 1,000, this meant that at the statutory 2 cent royalty rate the proprietors would receive $15. or $20. recovery per infringement, and the treble damage provisions would not even bring the rate up to $100. per infringement.

Piracy on Records, supra. Even though the copyright act provides for recovery of costs and reasonable counsel fees in cases arising under the mechanical reproduction provisions, there are other expenses in time and effort beyond the allowable counsel fees which made it impracticable for copyright proprietors to bring suit for such a small sum, so the pirates scoffed at the law with impunity

[11] Actually four companion cases were brought by the different publishing companies involved, although only one brief was submitted for all. Default was entered in *Robbins Music Corp.* v *Paradox Industries, Inc.* and *Dante Bollentino*, Civ. 75-18, *Leo Feist, Inc.* v. *Same*, Civ. 75-15, *Mills Music, Inc.* v. *Same*, Civ 75-16, *Shapiro, Bernstein & Co., Inc.* v. *Same*, Civ. 75-17. All decrees were entered in the Southern District of New York, June 5, 1952, per E. A. Conger, D.J. The attorneys who represented the publishers in that litigation are acting in the same capacity in the present case. Their brief then, as here, cited many cases which have held that every copyright infringement entitles the proprietor

decree represented the sole occasion that the $250 minimum penalty had been applied to mechanical reproduction cases, and under the circumstances leading to its rendition, it cannot be considered as authority for plaintiffs' contentions as these contentions were never aired or contested. It must be emphasized that in the instant case, plaintiffs seek to extend this penalty to non-manufacturing sellers, a group on which Congress did not impose any duties under the mechanical reproduction provisions.

I have reached my decision in this matter with reluctance, but the conclusion is one from which I cannot escape. The inequities and inadequacies of the present law cry out for correction. It is scant comfort to the publisher plaintiffs herein to be told that although their plight is distressing, there are others in the industry, notably recording companies and talented performers, who at present receive even less protection from record pirates and those who distribute their wares. It is equally harsh to tell them that their remedy lies in the legislatures when the problems of the recording industry have been before various legislative bodies over the years, and the conflicting interests involved have prevented any solution. But I cannot innovate at pleasure in the name of justice nor is it proper for me to roam at will in the face of legislative restraint in pursuit of what I consider to be the

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[11] *Continued*.

to the $250. minimum penalty, that innocence of the infringer is no excuse, and that the copyright certificate is prima facie evidence that the selection involved is protected by that law. These cases are irrelevant though to the question of whether manufacture or sale of recordings of musical selections is to be considered infringement under the general terms of the statute or is to be treated as a separate problem. Although plaintiffs' attorneys ably argued and briefed that question in the present case, they were unable to present a single case or legal commentary favorable to their contention other than the four companion cases, supra, where default was entered, and this problem was never raised.

ideal. Where the legislative mandate is clear, as is the case here, judges are bound to follow the law scrupulously regardless of personal preference, and the rule of strict adherence to the statute is never so necessary as where the legislature has established what it considered to be a comprehensive regulatory scheme as it did in the case of mechanical reproduction of music. For a judge to attempt to qualify or amplify the rights Congress delineated in such detail would be both imprudent and improper. In this regard, the words of Judge Learned Hand in *RCA Manufacturing Co.* v. *Whiteman,* 114 F. 2d 86, 90 (C.C.A. 2) cert. denied, 311 U. S. 712 (1940), bear repetition.

> "We are adjured that courts must adjust themselves to new conditions, and that in the case at bar justice clearly points the way to some relief. We cannot agree; no doubt we should be jealous to execute all reasonable implications of established doctrines; but we should be equally jealous not to undertake the composition of substantial conflicts of interests, between which neither the common law, nor the statute, has given any clue to its preference. We cannot know how Congress would solve this issue; we can guess—and our guess is that it would refuse relief as we are refusing it—but if our guess were the opposite, we should have no right to enforce it."

In the present case, the best that can be said for plaintiffs' position is that Congress has not considered this problem and the worst, that Congress has considered this problem and has decided against the plaintiffs' position. Under either interpretation of legislative history, the hands of the judiciary are tied. The plaintiffs' motion for summary judgment in the sum of $250 per infringement from each defendant must, therefore, be denied.

Appendix C

Defendants have cross-moved for summary judgment in their favor against the publisher plaintiffs dismissing their complaint. Since the publishers allege unfair trade practices and unfair competition as well as copyright infringement, it must be determined whether they may maintain such a cause of action here. The musical selections involved have been published; such publication was a dedication to the public and put an end to common law copyright protection. In the absence of the copyright law, therefore, all persons would be free to copy the compositions in question. This being so, in the absence of statute, it would not be unfair competition either to copy the compositions or to reproduce them in sound; any other conclusion would deprive the theory of dedication to the public of any meaning. Thus the copyright law becomes the sole measure of protection available to a composer of a published work, and this protection depends on the terms of the statute itself. See Nimmer, *Copyright Publication, supra.* That this rationale gives a record manufacturer the opportunity to profit from a composer's skill without paying therefor was pointed out clearly by Justice Holmes concurring in the *Apollo* case, *supra*, but the fact that the manufacturer is getting something for nothing does not make his actions illegal. And the same holds true with the distributor of his products. I find, therefore, that the copyright proprietors have no common law rights against the defendants which can be asserted here.[12]

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[12] As pointed out in Note [6] *infra*, there is a distinction between the possible common law rights of performers and recording companies as to whom Congress has not legislated, and the rights of those who hold the copyrights on published musical compositions. So long as the publishers base their claims on injury to the copyrights they hold, their remedy must be sought under the statute.

Under these circumstances, the motion of the defendants must be granted, and the publisher plaintiffs' complaint must be dismissed. So ordered.

Dated: New York, N. Y. March 16, 1956.

IRVING R. KAUFMAN,
U. S. D. J.

Judgment entered:

WILLIAM J. CONNELL
Clerk

3/16/56.